

IMPACT OF COVID-19 ON MSMEs OF RURAL ECONOMY IN INDIA

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Abstract:

The new Coronavirus (COVID-19) epidemic has quickly spread over the world, wreaking havoc on millions of people's lives and livelihoods. India's first infection was reported on January 30, 2020, forcing authorities to quickly implement a variety of steps to slow the spread of the disease. Because the disease is highly contagious, a much-needed nationwide lockdown was implemented on March 25, 2020, to prevent the spread of the COVID-19 pandemic. During the first several weeks, the limitations were stringent, and all non-essential activities and companies were prohibited across the country, including retail shops, educational institutions, and places of religious devotion. As a result, in most parts of the country, these prohibitions are being gradually relaxed in a stepwise manner.

As the constraints imposed by the lockdown are eased, now is an excellent time to assess COVID-19's impact on various sectors of the economy. A number of reports have suggested that the Indian economy may decline in 2020-21. This is a concerning sign, because a larger GDP contributes significantly to increased living standards, reduced poverty, and improvements in other socio-economic indices. While other sectors have been reported to be under severe strain, it is critical to assess the impact on agricultural and associated sectors, which employ the vast majority of India's people.

MSMEs (Micro, Small, and Medium Enterprises) are regarded as the backbone of the Indian economy. It employs about 120 million people, making it the second greatest source of employment (after agriculture). It accounts for more than 40% of India's entire exports. COVID-19's influence on the rural economy would be incomplete without consideration of its impact on MSMEs.

Key words: Coronavirus, Pandemic, Contagious, MSMEs

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Introduction:

Since World War II, the COVID-19 epidemic has posed the world's largest humanitarian problem. The virus has spread widely, and the number of cases is increasing every day while governments try to contain it. India had acted quickly, enacting a proactive 21-day nationwide shutdown with the intention of flattening the curve and allowing sufficient time to prepare and resource solutions. Overseas, India's efforts to combat the COVID-19 virus have been lauded. The lockdown, on the other hand, came at a financial cost and had a cascade effect

across society. In India, the Covid-19-induced lockdown caused a severe economic shock. It began on March 25, 2020, and continues to this day, with restrictions in some form or another. It brought the economy to a halt by forcing businesses in all sectors to shut down completely. Despite the fact that agricultural activities were exempt, the agriculture value chain was severely disrupted in the early stages of the lockdown. This has a significant negative impact on the rural Indian economy. In several sections of the country, the coronavirus epidemic has sparked a significant reverse migration from urban to rural areas. When we add together all of the responses, we conclude that the overall economic impact was 'Medium.' In terms of state-level analysis, we discovered that some states, such as Arunachal Pradesh and Sikkim, claimed a 'Low' impact, while others, such as Haryana, Jammu & Kashmir, Kerala, and West Bengal, had a 'High' impact.

Objectives of the study:

To study impact of Covid-19 on MSMEs OF rural economy in India

Methodology:

The research relies heavily on secondary data and information. The data was gathered from a variety of published sources. Books, journals, government reports and publications, research articles, websites, newspapers, and other sources are examples.

MSME:

Micro, Small, and Medium Enterprises (MSME) is an acronym for Micro, Small, and Medium Enterprises. The Government of India introduced it in accordance with the MSMED (Micro, Small, and Medium Enterprises Development) Act of 2006. MSMEs, according to this act, are businesses that deal with the processing, manufacture, and preservation of goods and commodities.

Micro-enterprise investment limit: less than 1 crore INR 1-10 crore INR investment limit for small businesses 10-50 crore INR investment limit for Medium Enterprises Micro Enterprises have a turnover limit of less than 5 crore INR. Small businesses have a turnover restriction of 1 to 25 crore INR. Medium Enterprises have a turnover ceiling of 25-250 crore INR.

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standards, reduced poverty, and improvements in other socio-economic indices. While other sectors have been reported to be under severe strain, it is critical to assess the impact on agricultural and associated sectors, which employ the vast majority of India's people.

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Impact on MSMEs:-

Price of Essential Raw Materials: In roughly 46 percent of the sample districts, the price of key raw materials was reported to have increased or been negatively impacted. The limitation of commodities movement during the lockdown may have resulted in a reduction in raw material supply, resulting in an increase in raw material costs. The key states that reported a higher proportion of districts with increasing raw material prices include Andhra Pradesh (69 percent), Bihar (68 percent), Rajasthan (67 percent), Jharkhand (65 percent), and Haryana (65 percent) (61 percent).

Production Levels: Nearly 97 percent of the sample districts said that production levels had declined or been negatively impacted. Because the vast majority of businesses reported facing obstacles such as restricted mobility of products and persons, limited access to finance, lower sales, and so on, their output may have decreased. Most of the larger states, including Andhra Pradesh, Chhattisgarh, Haryana, Madhya Pradesh, and Tamil Nadu, recorded a reduction in production in all of their sample districts, according to a state-by-state review of the data.

Cash Flow: Nearly 80% of the districts in the survey indicated cash flow constraints. The cash flow of MSMEs was negatively impacted by reduced purchasing power of other firms/individuals as a result of limitations 32 enforced during the shutdown. Kerala (100 percent), Maharashtra (91 percent), Punjab (91 percent), Gujarat (89 percent), and Haryana were among the larger states that reported a higher proportion of districts with increasing raw material prices, according to the data (87 percent).

Employment: Employment was estimated to be the most adversely affected among several operational aspects of MSME in about 96 percent of the sample districts. Reduced revenues, concern about future business prospects, and the firms' diminishing financial viability may have forced them to curtail employees. Most of the larger states, including Andhra Pradesh, Chhattisgarh, Haryana, Kerala, Punjab, Rajasthan, and Uttarakhand, recorded a reduction in production in all of their sample districts, according to the statistics.

Supply Chain: Supply Chain interruptions were recorded in approximately 80% of the sample districts, primarily due to lockdown limitations disrupting the entire chain. Kerala (100 percent), Haryana (96 percent), West Bengal (94 percent), Punjab (91 percent), and Jharkhand (91 percent) are among the larger states that reported a higher proportion of districts with increasing raw material prices (90 percent)

Export: Exports were reported to have been negatively impacted in roughly 86 percent of the districts, where applicable. Exports may have been harmed by limited international transportation, lower foreign incomes, and a desire by many economies to stimulate home production. Kerala (100 percent), Karnataka (96 percent), Punjab (96 percent), Tamil Nadu (97 percent), Maharashtra (94 percent), Chhattisgarh (94 percent), Uttar Pradesh (94 percent), and Haryana were among the larger states that reported a higher proportion of districts with increasing raw material prices (91 percent).

Consumer Sentiment/Demand: In roughly 85 percent of the sample districts, consumer sentiment/demand was negatively affected. Reduced employment, lower individual/household wages, and increasing uncertainty may have caused many households to put off non-essential spending, resulting in a drop in demand. Kerala (100 percent), Punjab (100 percent), Haryana (96 percent), Jharkhand (95 percent), West Bengal (94 percent), Madhya Pradesh (94 percent), and Bihar (94 percent) are among the larger states that reported a higher proportion of districts with increasing raw material prices (91 percent).

Conclusion:

COVID-19 and the ensuing lockdown had a significant impact on agricultural and allied sectors in the majority of districts at the national level. The microfinance and MSME sectors were the hardest hit, with disruptions occurring in more than four-fifths of the sample districts, severely limiting livelihoods in the unorganised sector, which accounts for the majority of employment in rural areas. However, rural organisations, such as SHGs, took advantage of the crisis by stitching face masks, PPEs, and preparing sanitizers, so assisting society while also generating some revenue for their members.

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